

**ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
ARNOLDS PARK, IOWA
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS
JUNE 30, 2012**

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditors' Report	2
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets	A 3
Notes to Financial Statement	4 - 5
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6 - 7
Schedule of Findings	8 - 9

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE

OFFICIALS

<u>NAME</u>	<u>TITLE</u>
John Adams	Board Member - Arnolds Park
Jerry Robinson	Board Member - Okoboji
Mike Schmitz	Board Member - At-Large
Chris Yungbluth	Fire Chief
Jim Hentges	Assistant Fire Chief
Rick Zalabowskie III	Secretary
Bruce Lee	Treasurer

WINTHER, STAVE & CO., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

To the Members of the
Arnolds Park-Okoboji Fire and Rescue
Arnolds Park, IA 51331

We have audited the accompanying statement of cash receipts, disbursements, and changes in cash basis net assets of Arnolds Park-Okoboji Fire and Rescue (Department) for the year ended June 30, 2012. This financial statement is the responsibility of the Department's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Arnolds Park-Okoboji Fire and Rescue as of June 30, 2012 and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Winther, Stave & Co., LLP

June 20, 2013

FINANCIAL STATEMENT

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING RECEIPTS:	
City contributions	<u>\$151,585</u>
TOTAL OPERATING RECEIPTS	<u>151,585</u>
OPERATING DISBURSEMENTS:	
Advertising and promotions	6,813
Dues and subscriptions	554
Administrative expenses	16,432
Volunteer fees and expenses	40,544
Training	12,009
Insurance	41,176
Vehicle operations	7,347
Repairs and supplies	<u>10,335</u>
TOTAL OPERATING DISBURSEMENTS	<u>135,210</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>16,375</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Interest on investments	201
Grants and contributions	47,437
Equipment purchases	<u>(40,856)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS) - NET	<u>6,782</u>
CHANGE IN CASH BASIS NET ASSETS	23,157
CASH BASIS NET ASSETS - BEGINNING OF YEAR	<u>57,639</u>
CASH BASIS NET ASSETS - END OF YEAR	<u>\$ 80,796</u>
CASH BASIS NET ASSETS:	
Unrestricted	<u>\$ 80,796</u>

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arnolds Park-Okoboji Fire and Rescue (Department) was formed July 1, 2011 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Department is to provide fire protection and aid and assistance for other emergencies or disasters relating to life or property to the units of government which are members of the Department.

Arnolds Park-Okoboji Fire and Rescue is a component unit of the City of Arnolds Park, Iowa as determined by criteria specified by the Governmental Accounting Standards Board. The Department is operated by the parties through a joint Board of Directors consisting of one member from each city council of Arnolds Park and Okoboji, and a third member appointed and approved by a majority vote of the city of councils of the municipalities.

Reporting Entity

For financial reporting purposes, Arnolds Park-Okoboji Fire and Rescue has included all funds, organizations, agencies, boards, and commissions. The Department has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Department are such that exclusion would cause the Department's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Department to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Department. The Department has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Department are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Basis of Accounting

The Arnolds Park-Okoboji Fire and Rescue maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Department is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Department in accordance with U.S. generally accepted accounting principles.

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
NOTES TO FINANCIAL STATEMENT - Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

Subsequent events were evaluated by management up to the date of the independent auditors' report, which is the date the financial statement was available to be issued.

2. CASH AND INVESTMENTS

The Department's cash basis net assets consist of deposits in banks at June 30, 2012 which were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; and certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Department.

The Department had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The Department's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 365 days, funds not identified as operating funds may be invested with maturities longer than 365 days, but the maturities shall be consistent with the needs and use of the Department.

3. RISK MANAGEMENT

The Arnolds Park-Okoboji Fire and Rescue is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance. The Department assumes liability for any deductibles and claims in excess of coverage limitation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WINTHER, STAVE & Co.,LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF A FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of
Arnolds Park-Okoboji Fire and Rescue
Arnolds Park, IA 51331

We have audited the accompanying financial statement of Arnolds Park-Okoboji Fire and Rescue (Department) as of and for the year ended June 30, 2012 and have issued our report thereon dated June 20, 2013. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Department's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12, I-C-12, and I-D-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statement of Arnolds Park-Okoboji Fire and Rescue is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Department's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Department. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Department's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Department's responses, we did not audit the Department's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of Arnolds Park-Okoboji Fire and Rescue and other parties to whom the Department may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winters, Steven G., CPA

June 20, 2013

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
SCHEDULE OF FINDINGS

Part I: Findings Related to the Financial Statement

Internal Control Deficiencies:

- I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has primary control over receipt collection, posting, deposit preparation, cash disbursements, and reconciling.

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, the Department should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our control procedures.

Conclusion - Response accepted.

- I-B-12 Reconciliation of Bank Accounts - Bank account reconciliations were not prepared in a timely matter.

Recommendation - The Department should reconcile bank accounts monthly.

Response - We will reconcile bank accounts on a timely basis.

Conclusion - Response accepted.

- I-C-12 Debit Card - The Department does not have a written policy for a debit card used by the fire chief for purchases of supplies.

Recommendation - The department should adopt a formal written policy regulating the use of debit and credit cards. The policy, at a minimum, should address who controls the cards, who is authorized to use the cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - Although we have not established a formal written policy detailing specifics on the use of debit and/or credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

- I-D-12 Financial Reporting - The Department is using one checking account to record activity related to their fundraising and budgeted activities.

Recommendation - The Department should utilize multiple bank accounts to keep funds separated.

Response - We will use separate accounts for each activity.

Conclusion - Response accepted.

ARNOLDS PARK-OKOBOJI FIRE AND RESCUE
SCHEDULE OF FINDINGS - Continued

Instances of Noncompliance:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting

II-A-12 Questionable Disbursements - We noted no disbursements which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-B-12 Travel Expense - No disbursements of money for travel expenses of spouses of Department officials were noted.

II-C-12 Board Minutes - Although the minutes included transactions, we were unable to identify that all transactions had been approved.

Recommendation - The Department should document approval of all transactions.

Response - We will prepare more detailed documentation of all transactions being approved.

Conclusion - Response accepted.

II-D-12 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

II-E-12 Payroll - The Department did not report all payments properly on Form 1099.

Recommendation - The Department should make sure all payments are properly reported on Form 1099.

Response - We are utilizing a new computer program to better track payments to allow for more accurate reporting.

Conclusion - Response accepted.